OFFICE OF AUDITS & ADVISORY SERVICES

INCOMPATIBLE ACTIVITIES

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Christopher Efird, CPA
Lead Auditor: Mercedes Pereira-Trent, MBA

Report No. A25-017 July • 2026

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TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
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5500 OVERLAND AVENUE, SUITE 470, SAN DIEGO, CA 92123-1202
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

July 27, 2026

TO: Marisa Barrie, Director
Department of Public Works

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: INCOMPATIBLE ACTIVITIES AUDIT

Enclosed is our report on the Incompatible Activities Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:MPT:nb

Enclosure

c: Dahvia Lynch, Deputy Chief Administrative Officer, Land Use and Environment Group
Jennifer Lawson, Chief Operations Officer, Land Use and Environment Group
Tracy Drager, Auditor and Controller
Aimee Leighton, Group Finance Director, Land Use and Environment Group

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JUAN R. PEREZ
CHIEF OF AUDITS

July 27, 2026

TO: Damon M. Brown, County Counsel
Office of County Counsel

FROM: Juan R. Perez
Chief of Audits

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c: Tracy Drager, Auditor and Controller

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July 27, 2026

TO: Tracy Drager
Auditor and Controller

FROM: Juan R. Perez
Chief of Audits

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Enclosure

c: Joan Bracci, Assistant Chief Administrative Officer/Chief Financial Officer

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JUAN R. PEREZ
CHIEF OF AUDITS

July 27, 2026

TO: Kelly A. Martinez, Sheriff
Office of the Sheriff

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Judy Ying, Interim Deputy Chief Financial Officer
Andrew Strong, Deputy Chief Administrative Officer, Public Safety Group
Kathleen Flannery, Chief Operations Officer, Public Safety Group
Tracy Drager, Auditor and Controller
Lisa Keller, Group Finance Director, Public Safety Group

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JUAN R. PEREZ
CHIEF OF AUDITS

July 27, 2026

TO: Marko Medved, Director
Department of General Services

FROM: Juan R. Perez
Chief of Audits

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Enclosure

c: Judy Ying, Interim Deputy Chief Financial Officer
Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group
Carrie Hoff, Chief Operations Officer, Finance and General Government Group
Tracy Drager, Auditor and Controller
Kathleen Mendoza, Asst Group Finance Director, Finance and General Government Group

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JUAN R. PEREZ
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July 27, 2026

TO: Andrew J. Potter
Clerk of the Board of Supervisors

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

AUD:MPT:nb

Enclosure

c: Tracy Drager, Auditor and Controller

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JUAN R. PEREZ
CHIEF OF AUDITS

July 27, 2026

TO: Summer Stephan
District Attorney

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
CHIEF OF AUDITS

July 27, 2026

TO: Adrienne Yancey, Interim Director
Health and Human Services Agency – Public Health Services

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Liz Hernandez, Deputy Chief Administrative Officer, Health and Human Services Agency
Jennifer Bransford-Koons, Interim Chief Operations Officer, HHSA
Charissa Japlit, Executive Finance Director, Health and Human Services Agency
Tracy Drager, Auditor and Controller
Christy Carlson, Director, Business Assurance and Compliance, HHSA

About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

Statement of Auditing Standards

This audit was conducted in conformance with the Global International Audit Standards prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

AUDIT OBJECTIVE & SCOPE

The Office of Audits & Advisory Services (OAAS) completed a Countywide audit of Incompatible Activities (IA). The objective of the audit was to review departmental processes to identify activities not compatible with their core function and to monitor disclosure by their staff. The scope of the audit encompassed fiscal years 2022-23 through the start of audit field work in April 2025.

The audit included a review of the County departments detailed in Table 1. The sample selected for review was based on auditor judgment and an assessment of risks relevant to the audit objectives. This risk assessment considered the nature of the departments' core services, along with job classifications and duties, to identify those with a higher potential for incompatible activities.

Table 1: Sample of County Departments

Sample Item #	Department Name
1	San Diego Sheriff's Office (SDSO)
2	Department of Public Works (DPW)
3	County Counsel (COCO)
4	District Attorney's Office (DAO)
5	Public Health Services (PHS)
6	Department of General Services (DGS)

OVERVIEW

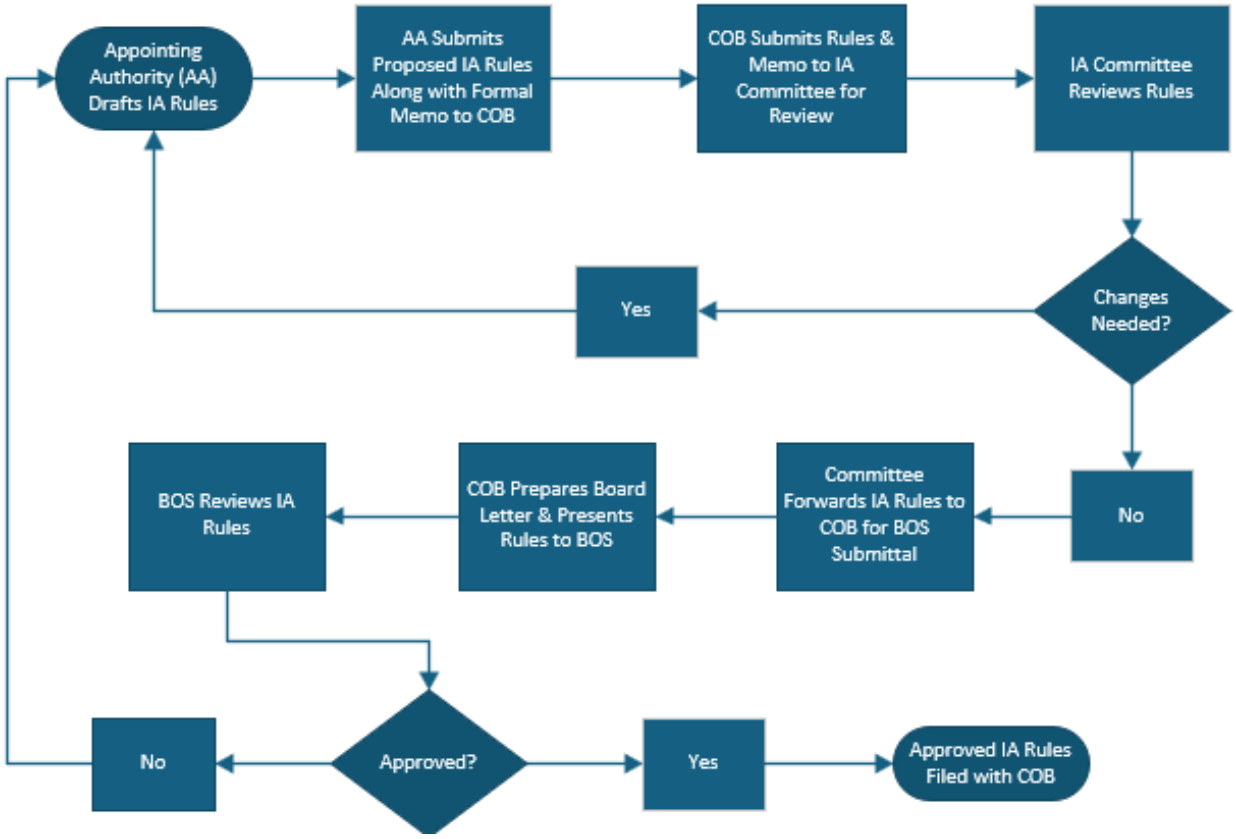
The Board of Supervisors (BOS), pursuant to Government Code Sections 1125-1127, has established rules and regulations governing the application of various state laws (Government Code Sections 1090, 1120, 1125-1127) related to IA of County officers and employees. Resolution No. 01-207, adopted July 31, 2001, implements these statutes by prohibiting officers and employees from engaging in compensated activities that conflict with, impair, or are otherwise inconsistent with their County duties or the responsibilities of their appointing authority. The resolution is intended to prevent the use of public positions for private gain and to ensure that outside activities do not interfere with the efficient performance of County duties. It also requires appointing authorities to adopt rules specifying prohibited activities and associated penalties.

Specifically, Resolution No. 01-207 provides that outside employment or activities may be prohibited if they involve receiving compensation from a non-County source for work the employee would otherwise perform as part of their County role, or if the activity imposes time demands that interfere with effective performance of County duties.

In addition to County employees, Resolution No. 01-207 requires decision-making members of Boards, Commissions, and Committees appointed by the BOS to annually disclose in writing any outside employment or compensated activity related to their County work or the functions of the department they serve. Advisory only bodies are exempt from these requirements.

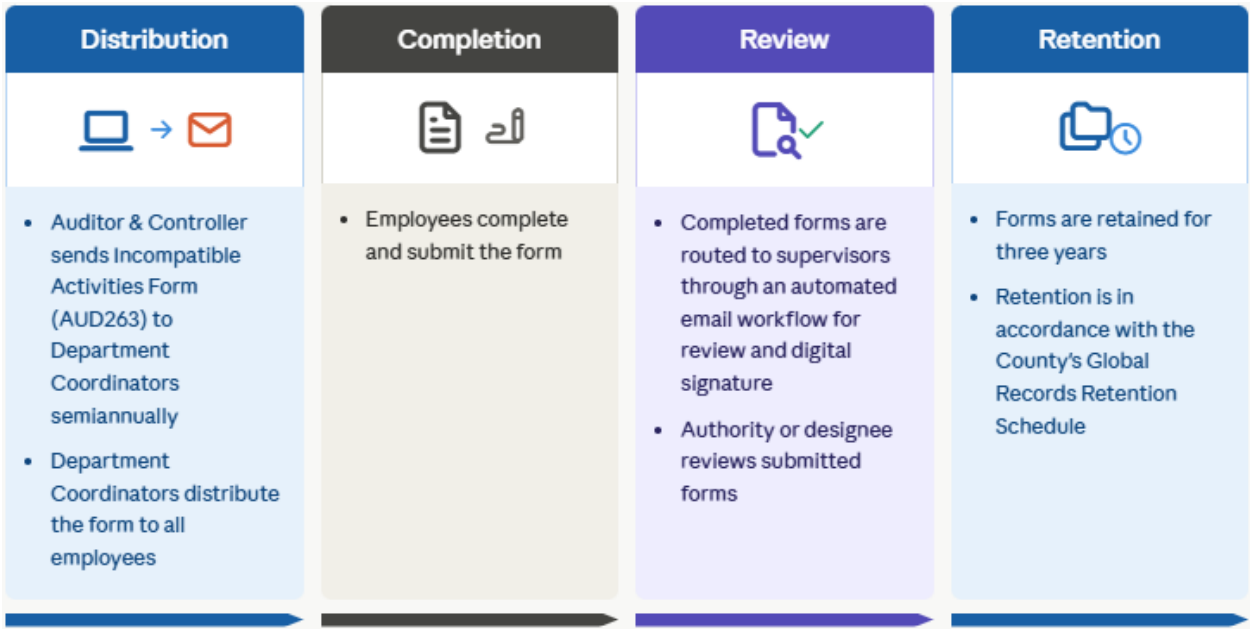
Administrative Manual #0010-003 requires appointing authorities to establish Incompatible Activities Rules (IARs) using the Chief Administrative Officer (CAO) approved template. Resolution No. 01-207 outlines the established approval process for IARs; however, the steps of this process are not clearly defined and only a high-level overview is provided. Based on feedback from the Clerk of the Board (COB), the process for submitting, revising, and obtaining approval for IARs is detailed in Figure 1.

Figure 1: IAR Approval Process



Additionally, Administrative Manual #0010-003 provides guidance for distributing and completing the Incompatible Activities Form (AUD263). Figure 2 outlines the process for distribution, completion, review, and retention of the AUD263.

Figure 2: AUD263 Form Distribution, Completion, Review, Retention Process



The County's Code of Ethics notes that outside employment may present a potential conflict of interest and must be reported on AUD263. Outside employment may be approved if it does not conflict with or compromise an employee's County responsibilities.

Additionally, for certain employees, elected officials, and candidates, the Statement of Economic Interests (Form 700) is a public document required to be completed under California law. It discloses personal financial interests to support transparency and identify potential conflicts of interest. Administrative Manual #0010-02 outlines the procedures for individuals for whom the CAO is the appointing authority

OAAS noted that sampled departments have additional requirements related to the disclosure and reporting of outside activities. These requirements are described in more detail in the background section for each respective department.

OVERALL AUDIT RESULTS

The audit identified opportunities to strengthen oversight of IA disclosures and controls over outside activities, including outside employment. Key issues for each department are summarized below and are discussed in greater detail in the respective departmental sections.

Section I: San Diego Sheriff's Office (SDSO)

- Gaps in distribution, collection, approval, and retention of AUD263 Forms
- Weaknesses in outside employment review and approval
- Inconsistencies between AUD263 and Form 700 disclosures
- Insufficient controls over outside employment

Section II: District Attorney's Office (DAO)
- Gaps in distribution, collection, approval, and retention of AUD263 Forms
- Weaknesses in outside employment review and approval
- Inconsistencies between AUD263 and Form 700 disclosures
- Outdated IARs on file with COB
- Opportunity to strengthen Professional Time Off (PTO) timekeeping practices

Section III: County Counsel Office (COCO)
- Gaps in distribution, collection, approval, and retention of AUD263 Forms
- Weaknesses in outside employment review and approval
- Inconsistencies between AUD263 and Form 700 disclosures
- IARs not approved in compliance with County policy

Section IV: Department of General Services (DGS)
- Inconsistencies between AUD263 and Form 700 disclosures
- Undisclosed outside activities
- Outdated IARs on file with COB

Section V: Department of Public Works (DPW)
- Gaps in distribution, collection, approval, and retention of AUD263 Forms
- Weaknesses in outside employment review and approval
- Inconsistencies between AUD263 and Form 700 disclosures
- Undisclosed outside activities
- Outdated IARs on file with COB

Section VI: Public Health Services (PHS)
- Gaps in distribution, collection, approval, and retention of AUD263 Forms
- Inconsistencies between AUD263 and Form 700 disclosures
- IARs not approved in compliance with County policy

Section VII: Results Applicable to Multiple Departments: Auditor and Controller (A&C), COB, COCO)
- CAO Incompatible Activities Item #0010-03 and related AUD263 Form require updating

In addition to the areas for improvement noted above, OAAS also wanted to highlight positive performance observed during the engagement. Specifically, OAAS found that DGS effectively monitors the distribution, collection, review, and retention of AUD263 Forms in accordance with administrative policy requirements and maintains a documented process.

Additionally, during the audit, SDSO was informed that its IARs were outdated. SDSO proactively initiated revisions and submitted updated IARs to the COB. The COB presented the revised rules to the BOS, which approved them on 8/25/25.

SECTION I- SAN DIEGO SHERIFF'S OFFICE

BACKGROUND

SDSO Policy and Procedure Manual Section 3 requires employees to disclose any outside employment and other outside activities in writing through their chain of command to the Facility Captain or Division Manager, who will determine whether a conflict of interest exists.

In addition to the AUD263, employees with outside employment must also complete Form PER-20 and route it through their chain of command for approval. Approved PER-20 forms are forwarded to personnel for inclusion in the employee's personnel file. Both AUD263 and PER-20 forms are retained for three years and must be available for audit.

No employee may engage in outside employment without prior written approval. Authorization remains valid only until the next biannual submission unless otherwise noted. Employees seeking renewal must submit a new PER-20 during each disclosure cycle. Denied requests must include written justification per Penal Code 70(D)(3).

Employees assigned duties involving an organization, property, or activity in which they or an immediate family member have a financial or personal interest must disclose the interest in writing to their Facility Captain or Division Manager.

SDSO AUDIT RESULTS

Finding I:

Oversight Over IA Disclosures

OAAS identified compliance weaknesses, including deficiencies in the distribution, collection, approval, and retention of AUD263 Forms; weaknesses in the review and approval of outside employment; and inconsistencies between AUD263 disclosures and Form 700 filings. Specifically, the following was identified:

A) <u>Distribution, Collection, Review, Approval and Retention of AUD263 Forms:</u>
OAAS analyzed the AUD263 Forms that were distributed, collected, reviewed, and approved, and identified multiple issues with SDSO's oversight of these processes.

SDSO provided a summary of the AUD263 Form distribution, returns, and the number of forms disclosing outside employment for the scoped audit period. Based on the information provided, OAAS noted that SDSO lacked complete data on the number of forms distributed, collected, and those reporting outside employment. Further details are presented in Table 2.

Table 2: SDSO – Summary of Disclosure Statements (AUD263)

Distribution Period	# of AUD263 Forms Distributed	# of AUD263 Forms Collected	(%) of AUD263 Forms Collected	# of AUD263 Forms Reporting Outside Employment
Aug-2022	Not Available	3187	Not Available	Not Available
Feb-2023	4226	3067	73%	Not Available
Aug-2023	4242	2289	54%	196
Feb-2024	4377	3210	73%	291
Aug-2024	4358	3052	70%	266
Feb-2025	4395	2067	47%	226

Source: San Diego Sheriff's Office

B) <u>Review and Approval of Outside Employment:</u>
OAAS judgmentally selected five employees from the SDSO, out of a sample of 30 total Countywide, to assess whether the appointing authorities distributed, collected, reviewed, approved, or rejected the outside employment disclosed by employees. One of the five PER-20 forms was not adequately reviewed, approved, or signed by SDSO management.

C) <u>Discrepancies Between AUD263 and Form 700:</u>
OAAS judgmentally selected five employees from the SDSO, out of a sample of 30 total Countywide, to assess whether potential IA were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form AUD263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting. The following findings were identified:

- Four of the five employees disclosed outside activities on AUD263 but not on Form 700.
- All five SDSO supplemental PER-20 Forms were not approved by the Facility Captain or Division Supervisor.

SDSO reported maintaining an Access database to monitor the distribution and collection of AUD263 Forms and PER-20 forms. However, no individual has been assigned responsibility for overseeing the completion of this process.

Undisclosed IA may expose the County to significant risks, including fraud, conflicts of interest, and misuse of public resources while undermining compliance with state law and County policy. Incomplete or late disclosures such as gaps in AUD263, Form 700, and PER20 filings impair management's ability to detect and mitigate conflicts effectively.

RECOMMENDATION:

To address all identified issues and establish proper monitoring and controls moving forward, the SDSO should take the following actions:

1. Assign an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of AUD263 and PER-20 forms to ensure compliance with the requirements of the Admin Manual #0010-03 and SDSO internal policies. This process should be formally documented in SDSO internal procedures.

2. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

3. Provide a resource by designating a point of contact, such as an individual within the SDSO or the Department of Human Resources (DHR), to address employee questions regarding the policy or specific activities.

4. Develop a formal procedure to systematically track all disclosures. This process should be documented within the SDSO internal procedures to ensure consistent application and oversight.

5. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, SDSO should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Finding II:

Insufficient Controls Over Outside Employment

OAAS selected 18 SDSO employees from a Countywide sample of 30 employees listed in the County's master vendor file who received payments through the accounts payable process. These individuals were reviewed to determine whether they engaged in outside activities for compensation, whether they disclosed these activities, and whether any potential conflicts with County employment existed, including overlapping work hours or IA.

OAAS noted the 18 employees sampled performed services for the Government Training Agency (GTA)[1]. The following was identified:

- Six of the 18 employees were compensated for teaching on the same day they reported regular hours worked in UKG[2]. Five of the six employees worked more than 12 hours in a single day, and two taught at locations outside the County. Further details are provided in Table 3.

1 The County's accounts payable division processes invoices on behalf of certain external entities such as GTA. As a result, some employees who taught for GTA appeared as receiving payments directly from the County.
[2] UKG is a cloud-based software used by the County to track employee time and attendance.

Table 3: Overlap of County Work Hours and GTA① Teaching Assignments

Appointing Authority	Employee Identification	Work Hours Paid by County	Hours Teaching	Transaction Date	Teaching Location
San Diego Sheriff's Office	Sample item 1	3.0	5	03/22/23	Santa Ana
	Sample item 2	10.5	4	05/23/24	Sacramento
	Sample item 3	10.0	16	08/27/24	San Diego
	Sample item 4	8.5	4	01/31/23	San Diego
	Sample item 5	5	8	06/17/24	San Diego
	Sample item 6	6.5	16	10/17/23	San Diego

① *Employees working at GTA were compensated using GTA funds administered by the County.*

- Seven of the 18 employees did not disclose their outside employment on the AUD263 Form.
- Two employees disclosed their outside employment on the AUD263 Form; however, these forms were not properly reviewed and approved.

County employees engaging in unmonitored outside employment may present risks to the County, including conflicts of interest, reduced productivity, and reputational damage. These risks are heightened when the external work is in a related field or if the employee's conduct is inappropriate. Furthermore, there is an increased risk of employees receiving County wages while simultaneously teaching at the GTA, which could result in financial loss for the County.

To quantify the financial loss, OAAS calculated the wages paid to sampled employees during the time they were engaged in teaching at GTA. The results are provided in Table 4.

Table 4: County Pay Overlapping with GTA Teaching Assignments

Appointing Authority	Employee Identification	Work Hours Paid by County	Total Amount	Transaction Date	Location
San Diego Sheriff's Office	Sample item 1	3.0	301.65	03/22/23	Santa Ana
	Sample item 2	10.5	1,313.13	05/23/24	Sacramento
	Sample item 3	10.0	1,080.30	08/27/24	San Diego
	Sample item 4	8.5	1,093.27	01/31/23	San Diego
	Sample item 5	5.0	1,106.05	06/17/24	San Diego
	Sample item 6	6.5	585.13	10/17/23	San Diego
		43.5	**5,479.53**		

RECOMMENDATION:

To ensure proper application of the guidelines of Policy #010-03, SDSO should:

1. Revise policies and procedures applicable to all employees providing outside services to ensure that such services are conducted exclusively during the employees' personal time.

2. SDSO should maintain a log, accessible to supervisors, to monitor employees engaged in outside services, documenting attendance prior to approving and signing employee timecards.

3. Conduct a review of overpayments made to all employees providing instructional services at GTA and develop procedures to recover these overpayments through either cash repayment or payroll adjustments.

SECTION II- DISTRICT ATTORNEY'S OFFICE

BACKGROUND

The DAO Policy on Incompatible Activities requires employees who engage in any outside compensated employment or activity to submit a "Request for Approval of Outside Employment, Activity or Enterprise" to their Chief Deputy and the Chief of Human Resources. This requirement is in addition to the semiannual AUD263.

Employees must obtain prior approval from the DAO before accepting any outside compensated work. Employees assigned duties involving any organization, property, or activity in which they or an immediate family member have a financial interest must immediately disclose this interest in writing to the DAO.

Violations of this policy may result in disciplinary action, up to and including dismissal, consistent with the County Charter and Civil Service Commission Rules.

DAO AUDIT RESULTS

Finding I:

Oversight Over IA Disclosures

OAAS identified compliance weaknesses, including deficiencies in the distribution, collection, approval, and retention of AUD263 Forms; weaknesses in the review and approval of outside employment; and inconsistencies between AUD263 disclosures and Form 700 filings. Specifically, OAAS noted the following:

A) <u>Distribution, Collection, Review, Approval and Retention of the AUD263 Form</u>: OAAS analyzed AUD263 Forms that were distributed, collected, reviewed, and approved, and identified issues with DAO's oversight of these processes.

The DAO provided a summary of the AUD263 Form distribution, returns, and the number of forms disclosing outside employment for the scoped audit period. Based on the information provided, OAAS noted that the DAO achieved AUD263 Form collection rates ranging from 92 percent to 99 percent across the four distribution periods from December 2023 through June 2025, reflecting a strong compliance rate. The collection rate was lower at 75 percent for the June 2023 distribution period. Further detail is presented in Table 5.

Table 5: DAO – Summary of Disclosure Statements (AUD263)

Distribution Period	# of AUD263 Forms Distributed	# of AUD263 Forms Collected	% for AUD263 Forms Collected	# of AUD263 Forms Reporting Outside Activities
Dec-2022	1040	917	88%	101
Jun-2023	1090	813	75%	100
Dec-2023	1107	1020	92%	129
Jun-2024	1115	1102	99%	161
Dec-2024	1117	1085	97%	150
Jun-2025	1125	1098	98%	145

Source: District Attorney Office

OAAS inquired with the DAO regarding the decline in the collection of AUD263 Forms during June 2023. They reported that 277 employees did not submit the required forms. Of these, approximately 223 were regular employees who failed to submit signed disclosure statements, 12 employees were on leave, three employees had been terminated, and 39 were temporary workers, including Student Workers, Retiree-Rehires, and Temporary Expert Professionals. Due to their temporary employment status, these individuals often lack a fixed schedule or defined end date. Consequently, when reminders for the disclosure statements were issued, many temporary workers had already been terminated or were absent from the office.

B) <u>Review and Approval of Outside Employment:</u>

OAAS judgmentally selected five employees from the DAO out of a sample of 30 total Countywide, to assess whether the appointing authorities distributed, collected, reviewed, approved, or rejected the disclosed outside employment. All five AUD263 that were provided disclosed outside employment and were approved by their respective supervisors. However, the DAO did not retain the Request for Approval of Outside Employment, Activity, or Enterprise forms which conflict with the County's global record retention requirements that mandate conflict of interest documentation be retained for three years. As a result, OAAS was unable to verify whether these activities were properly approved before the outside compensated activity began.

C) <u>Discrepancies Between AUD263 and Form 700:</u>

OAAS judgmentally selected five employees from the DAO out of a sample of 30 total Countywide, to assess whether potential incompatible activities were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form 263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting. Three of the five employees disclosed outside activities for compensation on AUD263 which were not reported on Form 700.

Incomplete or late disclosures such as gaps in AUD263, Form 700, Request for Approval of Outside Employment, Activity, or Enterprise form filings impair management's ability to detect and mitigate conflicts effectively.

RECOMMENDATION:

To address all identified issues and establish proper monitoring and controls moving forward, the DAO should take the following actions:

1. Assign an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of the AUD263 and Request for Approval of Outside Employment, Activity, or Enterprise forms to ensure compliance with the requirements of the Admin Manual #0010-03, and DAO Office Policy on Incompatible Activities, revised August 26, 2021. This process should be formally documented in the DAO internal procedures.

2. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

3. Provide a resource by designating a point of contact, such as an individual within the DAO or DHR, to address employee questions regarding the policy or specific activities.

4. Develop a formal procedure to systematically track all disclosures. This process should be documented within the DAO internal procedures to ensure consistent application and oversight.

5. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, the DAO should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Finding II:

Outdated IARs

OAAS reviewed the DAO IARs submitted to the COB and found the most recent version dated 11/10/98. DAO indicated an updated version exists but has not been submitted to the Committee on Incompatible Activities for review and BOS approval.

Outdated IARs can create confusion, reduce operational efficiency, and increase legal and security risks, as they may not reflect current practices, legal requirements, or technologies.
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Principle 12 requires organizations to establish and implement control activities through up-to-date policies and procedures. Principles 16 and 17 emphasize ongoing monitoring to identify and address deficiencies. This includes updating policies when they are outdated or ineffective.

RECOMMENDATION:

Following the update of the CAO Rules Regarding Incompatible Activities Policy #0010-03, the DAO should take the following actions:

1. Review and update their IARs to incorporate the changes outlined in Policy #0010-03.

2. Submit the revised IARs to the COB, who will forward them to the BOS for approval.

Finding III:
Opportunity to Strengthen PTO Timekeeping Practices

As part of our Countywide review of outside compensated activities, OAAS selected a sample of 30 individuals listed in the County's master vendor file who received payments through the accounts payable process. Eight of these individuals were employees of the DAO. For each of the eight, we evaluated whether the outside activity was appropriately disclosed and whether it presented any potential conflict with County employment, such as overlapping work hours or incompatible duties.

All eight DAO employees in the sample performed paid services for the Government Training Agency (GTA). For five of the eight, the GTA teaching dates coincided with days on which they recorded regular work hours in UKG, the County's official timekeeping system.

The DAO advised that certain attorney classifications, including Deputy District Attorneys (DDAs), are eligible for a benefit known as PTO, which functions as a form of paid leave. Rather than recording PTO in UKG, the DAO tracks this leave separately in its internal payroll system, Personnel XP, while continuing to record regular work hours in UKG.

Reviewing both systems together, we observed the following for the five employees whose teaching dates coincided with County workdays:

- Three DDAs recorded PTO in Personnel XP for the days they taught at GTA, indicating that they were on approved leave when the teaching assignments occurred. This PTO, however, was not reflected in UKG.

- One employee, a retiree at the time of our review, did not have Personnel XP records available, so PTO use could not be confirmed.

- One part-time attorney (retiree-rehire) recorded regular work hours in UKG on the day he provided GTA training. As a retiree-rehire, this attorney is not eligible for PTO.

The DAO noted that DDAs are Fair Labor Standards Act (FLSA) exempt salaried employees who are not paid hourly and are not required to work full eight-hour days to receive their biweekly salary. The Memorandum of Agreement (MOA) between the County and the San Diego County Deputy District Attorneys Association recognizes a "Professional Work Day" arrangement that allows DDAs to flex their schedules to accommodate the demands of their casework.

As previously mentioned, three elected to record PTO in Personnel XP rather than rely on the Professional Work Day flexibility. The use of PTO is permissible and meaningfully reduces the concern that GTA teaching assignments may have overlapped with County work duties. However, County Payroll has confirmed that UKG is the County's official system of record for time, labor, and leave reporting, and that all leave, including PTO, should be recorded in UKG. Tracking PTO exclusively in a departmental system, while logging only regular hours in UKG, is not consistent with this expectation.

When PTO is not captured in UKG, the County's official records do not fully reflect each employee's time and leave activity. This can:

- Increase exposure in future external audits of County payroll;
- Lead to misallocation between productive and non-productive hours in Countywide reporting;
- Affect the accuracy of time, labor, and payroll data used for cost recovery, grant reporting, and management decisions; and
- Make it difficult to reconstruct a complete leave history when departmental records are no longer available, as occurred with the retiree in our sample.

RECOMMENDATION:

We recommend that the DAO consult with County Payroll to align its timekeeping and leave tracking practices. Specifically, we recommend that the DAO:

1. Record all leave, including PTO, directly in UKG so that the County's official system of record reflects each employee's complete time and leave activity;
2. Communicate the updated process to attorneys, supervisors, and timekeeping staff, and provide brief refresher guidance to support consistent application going forward.

SECTION III- COUNTY COUNSEL

BACKGROUND

COCO Office Manual Section 4.11 requires management to provide written notice to all employees every six months reminding them to file disclosure statements, including any amendments. The Disclosure Statement Coordinator (DSC) meets this requirement by sending email notifications each April and November, establishing internal deadlines, tracking submissions against the employee roster, and issuing bi-weekly follow-ups to overdue employees. Completed forms submitted via DocuSign are uploaded to the department's SharePoint site.

Supervisors must escalate disclosure statements involving outside activities to the assigned Chief Deputy, who consults with the appropriate Assistant County Counsel. If approved, the supervisor signs the statement and forwards it to the DSC with the approval documentation. If not approved, the supervisor withholds signature and works with management and the employee to determine next steps.

COUNTY COUNSEL AUDIT RESULTS

Finding I:

Oversight Over IA Disclosures

OAAS identified compliance weaknesses, including deficiencies in the distribution, collection, approval, and retention of AUD263 Forms; weaknesses in the review and approval of outside employment; and inconsistencies between AUD263 disclosures and Form 700 filings. Specifically, OAAS noted the following:

A) <u>Distribution, collection, review, approval and retention of the AUD263:</u>
OAAS analyzed the AUD263 Forms that were distributed, collected, reviewed, and approved, and identified multiple issues with COCO's oversight of these processes.

COCO provided a summary of the AUD263 Form distribution, returns, and the number of forms disclosing outside activities for the scoped audit period. Based on the information provided, OAAS noted that COCO lacked complete data on the number of forms distributed, collected, and those reporting outside employment. Additionally, COCO only collected 74 percent of all forms distributed during September 2022 but improved significantly in September 2023 and subsequent filing periods. Further detail is presented in Table 6.

Table 6: COCO – Summary of Disclosure Statements (AUD263)

Distribution Period	# of AUD263 Forms Distributed	# of AUD263 Forms Collected	% of AUD263 Forms Collected	# of AUD263 Forms Reporting Outside Activities
Sep-2022	156	115	74%	6
Mar-2023	Not Available	Not Available	Not Available	Not Available
Sep-2023	177	177	100%	9
Mar-2024	171	171	100%	11
Sep-2024	188	188	100%	11
Mar-2025①	194	193	99%	8

Source: County Counsel Office

① ***Employee was on extended leave and did not return to work. Her employment was terminated 10/4/25***

COCO reported a reduced capacity to track these forms in September 2022 due to administrative staff shortages.

Additionally, a leadership transition occurred prior to the initial round of 2023 AUD263 disclosures. The COCO notification, which is normally received by the County Counsel and forwarded to the designated internal DSC, was inadvertently misdirected and did not reach the DSC.

B) <u>Review and Approval of Outside Employment:</u>

OAAS judgmentally selected five employees from COCO out of a sample of 30 total Countywide, to assess whether the appointing authorities distributed, collected, reviewed, approved, or rejected the outside employment disclosed by employees. The following was identified:

- One of the five AUD263 Forms was reviewed and approved by the supervisor three years after the employee disclosed the outside activity. COCO explained that the form was initially unsigned by the employee's supervisor because the supervisor had left the office. The AUD263 Form was later signed by the successor supervisor upon discovering the missing signature.

- One of the five AUD263 Forms was approved by the supervisor prior to receiving approval from County Counsel management for the outside activity.

C) <u>Discrepancies Between AUD263 Form and Form 700:</u>

OAAS judgmentally selected five employees from COCO out of a sample of 30 total Countywide to assess whether potential incompatible activities were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form AUD263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting.

Two of the five outside activities were disclosed on AUD263 but were not reported on Form 700.

RECOMMENDATION:

To address the identified issues and establish effective monitoring and controls, COCO should take the following actions:

1. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

2. Provide a resource by designating a point of contact, such as an individual within COCO or DHR, to address employee questions regarding the policy or specific activities.

3. Implement a process to ensure all disclosures are systematically tracked. This process should be formally documented in COCO internal procedures.

4. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, COCO should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Finding II:

IARs – Non-Compliance with Approval Process

OAAS reviewed the COCO IARs submitted to the COB and found that the most recent version was filed on 02/01/20. However, it has not yet been approved by the BOS. This lack of approval indicates non-compliance with the IAR approval process outlined in Figure 1 in the Overview section of the audit report.

RECOMMENDATION:

Following the update of the CAO Rules Regarding Incompatible Activities Policy 0010-03, COCO should take the following action:

1. Review and update their Incompatible Activities Rules to incorporate the changes outlined in Policy 0010-03.

2. Submit the revised Incompatible Activities Rules to the COB, who will forward them to the BOS for approval.

SECTION IV- DEPT OF GENERAL SERVICES

BACKGROUND

Employees who disclose an outside activity must complete the DGS Outside Activity/Employment Disclosure Questionnaire and submit it along with AUD263 to their supervisor. The supervisor reviews the activity with the employee, completes page two of the questionnaire, and submits both documents to DGS Human Resources. Potential conflicts are referred to the departmental HR Officer for review and any necessary corrective action.

DGS AUDIT RESULTS

Finding I:

Oversight Over IA Disclosures

OAAS identified compliance weaknesses, including instances of undisclosed outside activities and inconsistencies between AUD263 disclosures and Form 700 filings. Specifically, OAAS noted the following:

A) Discrepancies Between AUD263 and Form 700:
OAAS judgmentally selected five employees from DGS out of a sample of 30 total Countywide to assess whether potential incompatible activities were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form 263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting. The following issues were identified:

- One of the five employees with outside activities disclosed them on AUD263 but not on Form 700.
- Two of the five employees with outside employment activities disclosed them on Form 700 but not on AUD263.

B) Undisclosed Outside Activities:
OAAS judgmentally selected 11 DGS employees from a Countywide sample of 30 to assess whether outside activities identified on social media were properly disclosed on the AUD263 Form. Two of the 11 employees had outside activities subject to disclosure visible on social media that were not reported on their AUD263.

Failure to disclose IA, including external employment that may conflict with an employee's primary responsibilities, can result in significant consequences. These may include disciplinary action (such as warnings, suspension, demotion, or termination), financial penalties, or legal repercussions. Non-disclosure increases the risk of conflicts of interest.

RECOMMENDATION:

To address all identified issues and establish proper monitoring and controls moving forward DGS should take the following actions:

1. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of the AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

2. Provide a resource by designating a point of contact, such as an individual within DGS or DHR, to address employee questions regarding the policy or specific activities.

3. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, DGS should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Finding II:

Outdated IARs

OAAS reviewed the DGS IARs submitted to the COB and found the most recent version dated 11/10/98. DGS indicated an updated version exists but has not been submitted to the Committee on Incompatible Activities for review and BOS approval.

Outdated IARs can create confusion, reduce operational efficiency, and increase legal and security risks, as they may not reflect current practices, legal requirements, or technologies.

COSO Principle 12 requires organizations to establish and implement control activities through up-to-date policies and procedures. Principles 16 and 17 emphasize ongoing monitoring to identify and address deficiencies. This includes updating policies when they are outdated or ineffective.

RECOMMENDATION:

Following the update of the CAO Rules Regarding Incompatible Activities Policy #0010-03, DGS should take the following actions:

1. Review and update their IARs to incorporate the changes outlined in Policy #0010-03.

2. Submit the revised IARs to the COB, who will forward them to the BOS for approval.

SECTION V- DEPARTMENT OF PUBLIC WORKS

BACKGROUND

In accordance with DPW Policy Pol-MS-01, the Personnel Office issues the Supplemental Form (DPW-100) concurrently with the AUD263. Employees must complete both forms and submit them to their supervisors, who review, sign, and forward them to the Personnel Office. When a potential conflict is disclosed, a DPW-80 is issued, which employees must return within two weeks. Supervisors review the DPW-80 for completeness and route it to the Deputy or Assistant Director for resolution per policy. Employees must promptly report any changes to previously submitted statements and proactively disclose potential conflicts as they arise, rather than waiting for the semiannual reporting cycle.

DPW AUDIT RESULTS

Finding I:

Oversight Over IA Disclosures

OAAS identified compliance weaknesses, including deficiencies in the distribution, collection, approval, and retention of AUD263 Forms; weaknesses in the review and approval of outside employment; instances of undisclosed outside activities; and inconsistencies between AUD263 disclosures and Form 700 filings. Specifically, OAAS noted the following:

A) <u>Distribution, collection, review, approval and retention of the AUD263 Form:</u>
OAAS analyzed the AUD263 Forms that were distributed, collected, reviewed, and approved, and identified multiple issues with DPW's oversight of these processes.

DPW provided a summary of the AUD263 Form distribution, returns, and the number of forms disclosing outside employment for the scoped audit period. Based on the information provided, OAAS noted that DPW lacked complete data on the number of forms distributed, collected, and those reporting outside activities.

Specifically, for the distributions conducted in September 2022 and March 2023, there were no records indicating the number of AUD263 Forms distributed, collected, or the number of forms disclosing outside activities.

Furthermore, DPW did not distribute the AUD263 Form in March 2025 as required following A&C's email notification. The form was only distributed after OAAS made an inquiry regarding its status. For the November 2023 distribution, DPW only collected 38 percent of the AUD263 Forms and there were no records of how many forms disclosed outside activities. Further details are presented in Table 7.

Table 7: DPW – Disclosure Statement (AUD263) Summary Report

Distribution Period	# of AUD263 Forms Distributed	# of AUD263 Forms Collected	% of AUD263 Forms Collected	# of AUD263 Forms Reporting Outside Activities
Sep-2022	Not Available	Not Available	Not Available	Not Available
Mar-2023	Not Available	Not Available	Not Available	Not Available
Nov-2023	549	211	38%	Not Available
Apr-2024	558	546	98%	52
Nov-2024	585	349	60%	42
Jul-2025①	608	543	89%	45

Source: DPW, Human Resources Department

① *DPW did not have records of the distribution for March 2025. They did the distribution after OAAS noted it was missing.*

DPW stated that this omission occurred because the individual responsible for the process was transitioning out of the County and did not provide adequate training for their replacement.

B) <u>Review and Approval of Outside Employment</u>:

OAAS judgmentally selected five employes from DPW out of a sample of 30 total Countywide, to assess whether the appointing authorities distributed, collected, reviewed, approved, or rejected the outside employment disclosed by employees. Five out of five employees selected did not complete the DPW80 or DPW100 forms as required by the DPW Policy-MS-01.

According to DPW, the employees selected for testing did not complete the DPW80 or DPW100 forms because their supervisors did not identify any concerns related to their outside activities. This determination was based on the absence of any connection between the employees' County duties and their external work activities.

C) <u>Discrepancies Between AUD263 and Form 700:</u>

OAAS judgmentally selected five employees from DPW out of a sample of 30 total Countywide to assess whether potential incompatible activities were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form AUD263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting.

- Three of the five outside activities for compensation were disclosed on AUD263 but not on Form 700.

- One of the five Form 700 filings could not be located.

D) <u>Undisclosed Outside Activities:</u>

OAAS judgmentally selected six employees from DPW out of a sample of 30 total Countywide to assess whether those selected for review disclosed their external activities for compensation on social media and accurately reported them on the AUD263 Form.

One of the six employees had outside activities for compensation displayed on social media which were not disclosed on the AUD263.

Failure to disclose IA, including external employment that may conflict with an employee's primary responsibilities, can result in significant consequences. These may include disciplinary action (such as warnings, suspension, demotion, or termination), financial penalties, or legal repercussions. Non-disclosure increases the risk of conflicts of interest.

RECOMMENDATION:

To address all identified issues and establish proper monitoring and controls moving forward DPW should take the following actions:

1. Assign an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of the AUD263, Incompatible Activities Supplemental Form (DPW 100) and Department of Public Works Disclosure of Outside Activities Form (DPW 80 to ensure compliance with the requirements of the Admin Manual #0010-03 and DPW Policy-MS-01. This process should be formally documented in DPW internal procedures.

2. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of the AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

3. Provide a resource by designating a point of contact, such as an individual within DPW or DHR, to address employee questions regarding the policy or specific activities.

4. Implement a process to ensure all disclosures are systematically tracked. This process should be formally documented in DPW internal procedures.

5. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, DPW should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Finding II:

Outdated IARs

OAAS reviewed the DPW IARs submitted to the COB and found the most recent version dated 11/10/98. DPW indicated an updated version exists but has not been submitted to the Committee on Incompatible Activities for review and BOS approval.

Outdated IARs can create confusion, reduce operational efficiency, and increase legal and security risks, as they may not reflect current practices, legal requirements, or technologies.

COSO Principle 12 requires organizations to establish and implement control activities through up-to-date policies and procedures. Principles 16 and 17 emphasize ongoing monitoring to identify and address deficiencies. This includes updating policies when they are outdated or ineffective.

RECOMMENDATION:

Following the update of the CAO Rules Regarding Incompatible Activities Policy #0010-03, DPW should:

1. Review and update their IARs to incorporate the changes outlined in Policy #0010-03.

2. Submit the revised IARs to the COB, who will forward them to the BOS for approval.

SECTION VI- PUBLIC HEALTH SERVICES

BACKGROUND

Health and Human Services Agency (HHSA) Business Assurance and Compliance (BAC) Procedure M-3.4: HHSA Conflict of Interest establishes requirements for identifying and managing potential conflicts of interest within HHSA.

Employees must disclose all outside employment and any personal or professional relationships that could affect their County duties to their supervisor. When a potential conflict exists, employees must avoid serving impacted clients, request reassignment if necessary, and refrain from relationships that could compromise objectivity.

Supervisors review AUD263 disclosure statements to identify incompatible employment concerns, consult with HR and BAC as needed, and obtain information about outside employment duties. HR documents County job duties to support reviews. BAC evaluates contractual and funding implications and issues determinations in coordination with HR.

PHS AUDIT RESULTS

Finding I:

Oversight Over IA Disclosures

OAAS identified compliance weaknesses, including deficiencies in the distribution, collection, approval, and retention of AUD263 Forms; weaknesses in the review and approval of outside employment; instances of undisclosed outside activities; and inconsistencies between AUD263 disclosures and Form 700 filings. Specifically, OAAS noted the following:

A) <u>Distribution, collection, review, approval and retention of the AUD263 Form:</u>
OAAS analyzed the AUD263 Forms that were distributed, collected, reviewed, and approved, and identified multiple issues with PHS's oversight of these processes.

PHS provided a summary of AUD263 Form distribution, returns, and the number of forms disclosing outside activities for the scoped audit period. Based on the information provided, OAAS noted that, prior to October 2024, PHS did not have an adequate system for tracking the number of forms distributed and collected or the number reporting outside employment. PHS indicated that the forms were retained but that collating them into a data file would be a time-consuming manual process. However, as the forms were not provided to OAAS, OAAS was unable to substantiate this claim.

In 2024, HHSA HR was the designated department coordinator for the AUD263 distribution process and created a new written policy and procedure for distribution, collection, and retention. Following this update, the data is readily available and complete, as detailed in Table 8.

Table 8: PHS – Disclosure Statement (AUD253) Summary Report

Distribution Period	# of AUD263 Forms Distribute	# of AUD263 Forms Returned	% for AUD263 Forms Return	# of AUD263 Forms Reporting Outside Activities
Oct-22	Not Provided[3]	Not Provided	Not Provided	Not Provided
Apr-23	Not Provided	Not Provided	Not Provided	Not Provided
Oct-23	Not Provided	Not Provided	Not Provided	Not Provided
Apr-24	Not Provided	Not Provided	Not Provided	Not Provided
Oct-24	831	820	99%	115
Apr-25	813	790	97%	106

Source: Public Health Services

B) <u>Discrepancies between AUD263 Form and Form 700:</u>

OAAS judgmentally selected five employees from PHS out of a sample of 30 total Countywide to assess whether potential incompatible activities were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form AUD263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting. Three of the five employees disclosed outside activities on AUD263 but not on Form 700.

Incomplete or late disclosures such as gaps in AUD263, Form 700, Request for Approval of Outside Employment, Activity, or Enterprise form filings impair management's ability to detect and mitigate conflicts effectively.

RECOMMENDATION:

To address all identified issues and establish proper monitoring and controls moving forward, PHS should take the following actions:

1. Assign an individual responsible for overseeing the distribution, collection, retention, and follow-up of the AUD263 to ensure compliance with the requirements of the Admin Manual #0010-03. This process should be documented in HHSA HR internal procedures.

2. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of the AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

3. Provide a resource by designating a point of contact, such as an individual within PHS or DHR, to address employee questions regarding the policy or specific activities.

4. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, PHS should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee

[3] See the narrative in section A for additional context for records not provided.

and that the forms are properly stored and retained in accordance with County record retention requirements.

Finding II:

IARs – Non-Compliance with Approval Process

OAAS reviewed the HHSA IARs submitted to the COB and found that the most recent version was filed on 02/01/20. However, it has not yet been approved by the BOS. This lack of approval indicates non-compliance with the IAR approval process outlined in Figure 1 in the Overview section of the audit report.

RECOMMENDATION:

Following the update of the CAO Rules Regarding Incompatible Activities Policy 0010-03, PHS should take the following actions:

1. Review and update their Incompatible Activities Rules to incorporate the changes outlined in Policy 0010-03.

2. Submit the revised Incompatible Activities Rules to the COB, who will forward them to the BOS for approval.

SECTION VII- RESULTS APPLICABLE TO MULTIPLE DEPARTMENTS (A&C, COB, COCO)

BACKGROUND

Administrative Manual Item #0010-03, “CAO Rules Regarding Incompatible Activities” was established in accordance with the guidelines set forth in Resolution No. 01-207.

Article 1 of the Resolution, titled "Appointing Authorities to Adopt Rules of the Resolution," requires that each appointing authority within the County of San Diego, excluding the BOS, develop rules identifying compensated activities outside the normal duties of officers and employees under their jurisdiction that are inconsistent with, incompatible with, or in conflict with their official County responsibilities.

The Administrative Manual Item #0010-01 states that the CAO serves as the County's executive officer, responsible for managing the operation of County programs and services in alignment with the BOS' policy directives and the County's General Management System (GMS). To fulfill this role, the CAO must develop written policies that provide clear guidance to County staff, ensuring the efficient and consistent operation of County programs and the achievement of the Board's objectives.

Additionally, at the end of each policy in the CAO Administrative Manual, one or more departments are assigned responsibility for maintaining that policy because they are subject matter experts and/or have overall Countywide responsibility in that area. Departments are responsible for regularly reviewing and updating policies assigned to them. They are also responsible for obtaining the concurrence of other departments or groups impacted by the policy before submitting recommended revisions to the CAO for consideration.

The department responsible for each policy will regularly review the policy, determine whether it needs to be revised or deleted, and submit a draft revision or recommendation for termination to the CAO via the department's General Manager.

Once a new or revised policy is approved, CAO Administrative Manual Item #0010-01 requires the departments responsible to ensure that all employees, user groups, or units affected by the policy are informed of its requirements.

COCO, COB and A&C are designated as responsible for regularly reviewing and maintaining CAO Rules Regarding Incompatible Activities Item Number 0010-03.

AUDIT RESULTS

Finding I:
Outdated IA Policy

OAAS reviewed Administrative Manual CAO Rules regarding Incompatible Activities Item #0010-03 including the related AUD263 and identified the need to update the policy based on the following considerations:

1. The policy was originally issued on December 8, 2011, and revisions were made in January 2026. However, it did not include a sunset date for future revision. Policies should be monitored, reviewed, and updated as necessary.

2. Since the policy's adoption, the County's organizational structure has changed significantly. Notably, the Office of Ethics, Compliance and Labor Standards (OECLS) was established and now serves as the centralized resource for ethical guidance, conflict-of-interest concerns, and organizational integrity. These functions overlap with responsibilities currently assigned to A&C under the policy, including service on the Incompatible Activities Committee and the development and distribution of disclosure tools such as the AUD263. The current policy does not reflect this organizational change.

3. The policy states that IARs are to be established in accordance with the approval process outlined in Resolution No. 01-207. However, the steps of this process are not clearly defined in the Resolution; only a high-level overview is provided. Detailed procedures for submitting, revising, and obtaining approval for IARs are not included, resulting in uncertainty among departments regarding the required steps for IAR approval.

4. The required AUD263 Form identified in the policy requires disclosure of outside employment for compensation, including a description of duties, the name of the outside employer, and the average number of hours worked per week. However, the form is limited to employment-related activities, while California Code §1126 prohibits any outside activity that may be incompatible with County employment. Because the AUD263 Form only captures outside employment, other potential conflicts that require disclosure such as business partnerships, influential unpaid roles, personal conflicts of interest, or honoraria for speeches or events are not currently captured.

5. There is not a Countywide requirement for pre-approval of outside activities. OAAS noted that while some departments include pre-approval requirements in their IARs, others do not. Additionally, OAAS noted that the Counties of Santa Clara, Sonoma and Riverside require pre-approval of outside activities. Establishing a consistent Countywide pre-approval requirement would align with best practices used by other California counties and would help reduce the risk of incompatible activities occurring.

6. There is no limitation on the number of hours that employees holding full-time positions may engage in outside activities without compromising the effectiveness of their primary County assignments. OAAS noted that the County of Los Angeles and the County of San Mateo have established policies that address this issue by limiting the number of hours employees may work outside of their County positions.

It should be noted that the Resolution does not mandate periodic review or updates of Item 0010-03. While changes to the Administrative Manual were made in January 2026, further revisions to the policy are essential to fully address evolving work arrangements, technological advancements, and public expectations. Policies and procedures related to IA that do not adequately reflect evolving work environments increase risks related to conflicts of interest, ethical violations, and reputational damage.

Traditional IA policies predominantly address the holding of a second job. Because the AUD263 Form only captures outside employment, other potential conflicts such as business partnerships, influential unpaid roles, personal conflicts of interest, or honoraria for speeches or events may not be disclosed.

Additionally, outdated policies may not address emerging employment models that were not contemplated when many of the existing policies were originally developed.

California Code §1126 states that an employee's outside employment, activity, or enterprise may be prohibited if it: (1) involves the use for private gain or advantage of his or her local agency time, facilities, equipment and supplies; or the badge, uniform, prestige, or influence of his or her local agency office or employment or, (2) involves receipt or acceptance by the officer or employee of any money or other consideration from anyone other than his or her local agency for the performance of an act which the officer or employee, if not performing such act, would be required or expected to render in the regular course or hours of his or her local agency employment or as a part of his or her duties as a local agency officer or employee or, (3) involves the performance of an act in other than his or her capacity as a local agency officer or employee which act may later be subject directly or indirectly to the control, inspection, review, audit, or enforcement of any other officer or employee or the agency by which he or she is employed, or (4) involves the time demands as would render performance of his or her duties as a local agency officer or employee less efficient.

RECOMMENDATION:

To address the issues identified above, A&C, COB, and COCO should:

1. Continue the process to revise Item No. 0010-03 in accordance with the procedure outlined in CAO Administrative Manual Item No. 0010-01. Specifically, the revision process should:

    a. Update the policy to assist appointing authorities in effectively managing incompatible activities related to their core responsibilities, provide clear guidance to employees, and ensure consistent enforcement of sanctions for violations.

    b. Address current and evolving work arrangements, organizational changes, technological advancements, and public expectations.

    c. For better alignment with the current organizational structure, revise the Incompatible Activities Committee membership to include OECLS. This change is consistent with OECLS's role as the County's centralized resource for ethical guidance, conflict-of-interest concerns, and organizational integrity. As a staff office of the CAO, OECLS would be able to serve on the committee as the CAO's designee.

d. Incorporate a periodic review provision to ensure the policy remains current.

e. Include consultation with the departments identified on Page 3 of Item No. 0010-03.

2. Develop and document a clear, comprehensive IAR approval process that aligns the policy with the intent of the Resolution. This should include defined steps, required documentation, roles and responsibilities, and timelines for submitting, revising, and approving IARs. Once developed, the process should be communicated to all departments to ensure consistent understanding and application.

3. Once the updated policy has been approved by the CAO and published on the County Intranet, the responsible departments and affected appointing authorities should conduct training for employees, user groups, or units impacted by the policy changes.

4. To strengthen the County's ability to identify, assess, and mitigate potential conflicts of interest, we recommend revising the AUD263 Form specified in CAO Rules Regarding Incompatible Activities Item #0010-003 and related policies to require disclosure of all outside activities that may be incompatible with County employment, regardless of whether they are paid or unpaid.

5. Assess the feasibility of establishing a centralized process to monitor all required disclosure statements across departments. The updated process should be formally documented in County policy to ensure consistent application, strengthen oversight, and support proper record storage and retention in compliance with County requirements.

6. As the CAO Rules Regarding Incompatible Activities Item # 0010-003 are closely aligned with BOS Resolution No. 01-207, COCO should identify the steps necessary to amend the BOS Resolution to ensure consistency with the updated CAO policy. Once the necessary steps are identified, the amendment process should be initiated.

METHODOLOGY

OAAS performed the audit using the following methods:

- Reviewed County codes, resolutions, policies, and procedures as well as California legal requirements relevant to the disclosure of incompatible activities.

- Reviewed IA policies from other jurisdictions to identify best and consistent practices among comparable governmental entities.

- Reviewed the IARs for each sampled department (if applicable) to determine if they have been updated recently and accurately reflect current working conditions.

- Downloaded the IARs filed with the COB and approved by the BOS for all departments to determine the date of their most recent update.

- Inquired with departmental management to understand the process for distributing, collecting, and reporting IA via AUD263, and assessed the effectiveness of the process.

- Employed a judgmental sampling approach to assess compliance with requirements related to AUD263 Forms:

    - **Distribution and Review Testing**: OAAS selected a Countywide sample of 30 AUD263 Forms to verify whether departments appropriately distributed, collected, reviewed, and approved the forms, as well as evaluated or rejected any disclosed outside activities.

    - **Consistency of Reporting Testing:** A Countywide sample of 30 AUD263 Forms was compared with corresponding Form 700 filings to determine whether employees consistently reported outside activities on both forms for the same reporting period.

    - **Verification of Non-Disclosure:** OAAS reviewed a Countywide sample of 30 AUD263 Forms that did not disclose outside employment. For this, OAAS conducted social media research to confirm that no outside activities were advertised.

- OAAS conducted an analysis using ACL Analytics to identify County employees who were listed in the County's master vendor file and received payments through the accounts payable process. From the positive matches, OAAS performed the following steps to determine whether compensation was for outside services that could be considered incompatible with the employees' County work functions:

    - **Sample Selection:** OAAS judgmentally selected a Countywide sample of 30 employees from the positive ACL matches, excluding false positives such as expense reimbursements.

    - **Invoice Review:** For each employee in the sample, OAAS selected one invoice to identify the date of service and hours worked. These details were then compared to the employee's time records to determine whether the services were provided outside the employee's County work schedule.

DEPARTMENT'S RESPONSE
(DEPARTMENT OF PUBLIC WORKS)

PUBLIC WORKS
5510 OVERLAND AVENUE, SUITE 410, SAN DIEGO, CALIFORNIA 92123-1237
(858) 694-2212

MARISA K. BARRIE, PE
DIRECTOR

KATHRYN A. STEWART, PE
ASSISTANT DIRECTOR

June 18, 2026

TO: Juan R. Perez
Chief of Audits

FROM: Marisa K. Barrie, PE, Director
Department of Public Works

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: INCOMPATIBLE ACTIVITIES AUDIT

Finding I: Oversight Over IA Disclosure

OAAS Recommendation: To address all identified issues and establish proper monitoring and controls moving forward DPW should take the following actions:

1. Assign an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of the AUD263, Incompatible Activities Supplemental Form (DPW 100) and Department of Public Works Disclosure of Outside Activities Form (DPW 80) to ensure compliance with the requirements of the Admin Manual #0010-03 and DPW Policy-MS-01. This process should be formally documented in DPW internal procedures.

   DPW has assigned an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of the AUD263 and the Incompatible Activities Supplemental Form (DPW 100). Department of Public Works Disclosure of Outside Activities Form (DPW 80) no longer exists; instead, employees are required to complete PW-100, Supplemental Disclosure of Outside Activities Form, if the employee discloses that they have an existing activity outside the County. DPW Policy-MS-01 has been changed to DPW Policy HR-05. Additionally, while current practice involves assigning individual Departmental Human Resources Officer (DHRO) assigned to each division with the responsibilities for overseeing the distribution, collection, review, approval, retention, and follow-up of the AUD263 and PW-100 forms, a final check will be completed by one single designated point of contact, and 100% completion will be reported to the Assistant Director.

This will be formally documented in DPW internal procedures, HR-05 by August 15, 2026.

2. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of the AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

   Mandatory training will be provided to employees by August 30, 2026, and employees will be informed of updates during policy reviews.

3. Provide a resource by designating a point of contact, such as an individual within DPW or DHR, to address employee questions regarding the policy or specific activities.

   DPW will designate a single HR point of contact to address employee questions by July 15, 2026.

4. Implement a process to ensure all disclosures are systematically tracked. This process should be formally documented in DPW internal procedures.

   DPW will develop a more detailed process to ensure all disclosures are systematically tracked. The process will be documented in HR-05 by August 15, 2026.

5. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, DPW should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

   DPW will follow a Countywide centralized process if it becomes available.

Action Plan: DPW agrees with the findings and will proceed with actions noted in response to each of the above recommendations.

Planned Completion Date: Completion dates are noted in the action plan for each recommendation above.

Finding II: Outdated IARs

OAAS Recommendation: Following the update of the CAO Rules Regarding Incompatible Activity Policy #0010-03, DPW should:

1. Review and update their IARs to incorporate the changes outlined in Policy #0010-03.

2. Submit the revised IARs to the COB, who will forward them to the BOS for approval.

Action Plan: DPW agrees with the findings. DPW reviewed the department Incompatible Activities Reports and made necessary changes to reflect the changes outlined in Policy #0010-03. DPW will confirm the revised IARs have been completed and submitted to the Clerk of the Board.

Planned Completion Date: July 15, 2026

If you have any questions, please contact Kathy Stewart, Assistant Director at kathy.stewart@sdcounty.ca.gov, (619) 539-4714, or Akeem Obasesan, Sr. DHRO at (858) 472-8675.

Respectfully,

Richard L. Whipple, III
Digitally signed by Richard L. Whipple, III
Date: 2026.06.18 14:19:40 -07'00'

Richard L. Whipple, III
Deputy Director, Department of Public Works
Land Use and Environment Group

DEPARTMENT'S RESPONSE
(OFFICE OF COUNTY COUNSEL)

County of San Diego

DAMON M. BROWN
COUNTY COUNSEL

OFFICE OF COUNTY COUNSEL
1600 PACIFIC HIGHWAY, ROOM 355, SAN DIEGO, CA 92101
(619) 531-4860 Fax (619) 531-6005

April 27, 2026

TO: Juan R. Perez, Chief of Audits
Office of Audits and Advisory Services (OAAS)

FROM: Damon M. Brown, County Counsel
Office of County Counsel (COCO)

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS:

INCOMPATIBLE ACTIVITIES (IA) AUDIT

Finding I: Oversight Over IA Disclosures

OAAS Recommendations: COCO should:

1. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

2. Provide a resource by designating a point of contact, such as an individual within COCO or DHR, to address employee questions regarding the policy or specific activities.

3. Implement a process to ensure all disclosures are systematically tracked. This process should be formally documented in COCO internal procedures.

4. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, COCO should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Action Plan: COCO agrees that OAAS' recommendations will strengthen the department's internal tracking and review processes concerning the AUD263 Forms and Form 700 filings.

COCO will create and provide mandatory training for its staff on the internal IA process. It will also further review and update its internal policy to include: 1) the enhancements made to its reminder, tracking, and review processes; and 2) the assigned backup to the department's designated IA Coordinator. Finally, COCO will utilize a Countywide process relating to AUD263 Forms should one become available.

Planned Completion Date: COCO will complete and implement the above recommendations by August 31, 2026.

Finding II: IARs – Non-Compliance with Approval Process

OAAS Recommendations: COCO should:

1. Review and update their Incompatible Activities Rules to incorporate the changes outlined in Policy 0010-03.

2. Submit the revised Incompatible Activities Rules to the COB, who will forward them to the BOS for approval.

Action Plan: COCO will submit to the COB its updated internal policy for BOS' approval.

Planned Completion Date: COCO will complete and implement the above recommendations by August 31, 2026.

Finding III: Outdated IA Policy

OAAS Recommendations: A&C, COB and COCO should:

1. Continue the process to revise CAO Administrative Manual Item No. 0010-03 in accordance with the procedure outlined in CAO Administrative Manual Item No. 0010-01. Specifically, the revision process should:

    a. Update the policy to assist appointing authorities in effectively managing incompatible activities related to their core responsibilities, provide clear

guidance to employees, and ensure consistent enforcement of sanctions for violations.

b. Address current and evolving work arrangements, organizational changes, technological advancements, and public expectations.

c. For better alignment with the current organizational structure, revise the Incompatible Activities Committee membership to include OECLS. This change is consistent with OECLS's role as the County's centralized resource for ethical guidance, conflict-of-interest concerns, and organizational integrity. As a staff office of the CAO, OECLS would be able to serve on the committee as the CAO's designee.

d. Incorporate a periodic review provision to ensure the policy remains current.

e. Include consultation with the departments identified on Page 3 of Item No. 0010-03.

2. Develop and document a clear, comprehensive IAR approval process that aligns the policy with the intent of the Resolution. This should include defined steps, required documentation, roles and responsibilities, and timelines for submitting, revising, and approving IARs. Once developed, the process should be communicated to all departments to ensure consistent understanding and application.

3. Once the updated policy has been approved by the CAO and published on the County Intranet, the responsible departments and affected appointing authorities should conduct training for employees, user groups, or units impacted by the policy changes.

4. To strengthen the County’s ability to identify, assess, and mitigate potential conflicts of interest, we recommend revising the AUD263 Form specified in CAO Rules Regarding Incompatible Activities Item #0010-003 and related policies to require disclosure of all outside activities that may be incompatible with County employment, regardless of whether they are paid or unpaid.

5. Assess the feasibility of establishing a centralized process to monitor all required disclosure statements across departments. The updated process should be formally documented in County policy to ensure consistent application, strengthen

oversight, and support proper record storage and retention in compliance with County requirements.

6. As the CAO Rules Regarding Incompatible Activities Item # 0010-003 are closely aligned with BOS Resolution No. 01-207, COCO should identify the steps necessary to amend the BOS Resolution to ensure consistency with the updated CAO policy. Once the necessary steps are identified, the amendment process should be initiated.

Action Plan: COCO will collaborate with A&C and COB on the above Recommendations, respectively.

Planned Completion Date: COCO will complete and implement the above recommendations by August 31, 2026.

Contact Information for Implementation: Yevette LeFever, Chief, Admin. Services

If you have any questions, please contact me at (619) 531-5457.

DAMON M. BROWN
County Counsel

DMB:yl

DEPARTMENT'S RESPONSE
(AUDITOR AND CONTROLLER)

AUDITOR AND CONTROLLER
5500 OVERLAND AVE, SUITE 470, SAN DIEGO, CA 92123-1202
(858) 694-2176 FAX: (858) 694-2296

TRACY DRAGER
AUDITOR AND CONTROLLER

JULIE BJERKE
ASSISTANT AUDITOR AND CONTROLLER

June 16, 2026

TO: Juan R. Perez
Chief of Audits

FROM: Tracy Drager
Auditor and Controller

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS:

INCOMPATIBLE ACTIVITIES (IA) AUDIT

Finding I: Outdated IA Policy

OAAS Recommendation: A&C, COB, and COCO should:

1. Continue the process to revise CAO Administrative Manual Item No. 0010-03 in accordance with the procedure outlined in CAO Administrative Manual Item No. 0010-01. Specifically, the revision process should:

    a. Update the policy to assist appointing authorities in effectively managing incompatible activities related to their core responsibilities, provide clear guidance to employees, and ensure consistent enforcement of sanctions for violations.

    b. Address current and evolving work arrangements, organizational changes, technological advancements, and public expectations.

    c. For better alignment with the current organizational structure, revise the Incompatible Activities Committee membership to include OECLS. This change is consistent with OECLS's role as the County's centralized resource for ethical guidance, conflict-of-interest concerns, and organizational integrity. As a staff office of the CAO, OECLS would be able to serve on the committee as the CAO's designee.

    d. Incorporate a periodic review provision to ensure the policy remains current.

    e. Include consultation with the departments identified on Page 3 of Item No. 0010-03.

2. Develop and document a clear, comprehensive IAR approval process that aligns the policy with the intent of the Resolution. This should include defined steps, required documentation, roles and responsibilities, and timelines for submitting, revising, and approving IARs. Once developed, the process should be communicated to all departments to ensure consistent understanding and application.

3. Once the updated policy has been approved by the CAO and published on the County Intranet, the responsible departments and affected appointing authorities should conduct training for employees, user groups, or units impacted by the policy changes.

4. To strengthen the County's ability to identify, assess, and mitigate potential conflicts of interest, we recommend revising the AUD263 Form specified in CAO Rules Regarding Incompatible Activities Item #0010-003 and related policies to require disclosure of all outside activities that may be incompatible with County employment, regardless of whether they are paid or unpaid.

5. Assess the feasibility of establishing a centralized process to monitor all required disclosure statements across departments. The updated process should be formally documented in County policy to ensure consistent application, strengthen oversight, and support proper record storage and retention in compliance with County requirements.

6. As the CAO Rules Regarding Incompatible Activities Item # 0010-003 are closely aligned with BOS Resolution No. 01-207, COCO should identify the steps necessary to amend the BOS Resolution to ensure consistency with the updated CAO policy. Once the necessary steps are identified, the amendment process should be initiated.

Action Plan: A&C will collaborate with COCO and COB on the above recommendations, respectively.

Planned Completion Date: A&C will complete and implement the above recommendations by October 31, 2026.

Contact Information for Implementation: Jessica Velasquez, Senior Departmental HR Officer (619) 851-4982.

If you have any questions, please contact me at (858) 694-2176.

Sincerely,

TRACY DRAGER
Auditor and Controller

A&C:TD:am

DEPARTMENT'S RESPONSE
(OFFICE OF THE SHERIFF)

SAN DIEGO COUNTY SHERIFF'S OFFICE

Kelly A. Martinez, Sheriff

Rich Williams, Undersheriff

DATE: June 18, 2026

TO: Juan R. Perez
Chief of Audits

FROM: Kelly A. Martinez, Sheriff
San Diego County Sheriff's Office

SHERIFF'S OFFICE RESPONSE TO AUDIT RECOMMENDATIONS: INCOMPATIBLE ACTIVITIES DISCLOSURES & OUTSIDE EMPLOYMENT

In response to the audit conducted by the Office of Audits & Advisory Services (OAAS) of the San Diego Sheriff's Office (SDSO) regarding Incompatible Activities (IA) Disclosures and Outside Employment, please find the Sheriff's Office response to the findings outlined in the report.

Finding I: Oversight Over IA Disclosures

OAAS identified compliance weaknesses in the distribution, collection, approval, and retention of AUD263 Forms; weaknesses in the review and approval of outside employment; and inconsistencies between AUD263 disclosures and Form 700 filings. OAAS also noted that SDSO's Access database used to track disclosures does not have an assigned owner responsible for oversight.

OAAS Recommendation:

1. ssign an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of AUD263 and PER-20 forms, and document this process internally.

2. rovide mandatory employee training on IA and proper completion of AUD263 disclosures.

3. esignate a point of contact for employee questions regarding policy and reporting.

4. Develop a formal procedure to systematically track disclosures.

5. dopt a centralized Countywide process for tracking and retention should one become available.

Action Plan:

In response to Recommendation #1, the Sheriff's Office agrees with the recommendation and has initiated the centralization of all AUD263 and PER-20 responsibilities with a working group (Professional Staff Unit) designated to handle the Sheriff's IA Disclosure Statement questions and concerns. A designated email address was created to streamline inquiries and ensure consistent handling. The Professional Staff Unit will manage the full process—distribution, collection, review, approval routing, follow-up, and retention—and these procedures are being formally documented in SDSO policy. SDSO also implemented a structured PER-20 approval workflow that moves through the proper chain of command and includes a final HR representative sign-off to ensure compliance.

SAN DIEGO COUNTY SHERIFF'S OFFICE

Kelly A. Martinez, Sheriff

Rich Williams, Undersheriff

In response to Recommendation #2, the Sheriff's Office agrees with the recommendation and implemented mandatory annual training for all employees which was initially dispersed via LMS in January 2026. This annual training will provide guidance on identifying incompatible activities, proper disclosure using the AUD263 Form, distinctions between AUD263 and Form 700, and updates to policy requirements.

In response to Recommendation #3, the Sheriff's Office agrees and designated the Professional Staff Unit working group as the point of contact within the Sheriff's Personnel Division to assist employees with questions related to IA, outside employment, and required disclosures.

In response to Recommendation #4, the Sheriff's Office agrees and developed a formal, standardized tracking process for AUD263 and PER-20 submissions via the internal corporate directory and tracked through the Power BI Microsoft platform. This process will include tracking distribution counts, employee returns, approvals, and discrepancies between disclosure forms and ensures that all required disclosures are properly submitted, stored, and verified for compliance and transparency.

In response to Recommendation #5, the Sheriff's Office agrees and adopted a departmentwide centralized process for AUD263 and PER-20 forms. Creating a cross-verification process between AUD263 and Form 700 filings ensures discrepancies are reviewed and addressed. This review is completed and retention timeframes are reviewed biannually in February and August.

Planned Completion Date: September 1, 2026

Contact Information for Implementation:
Melissa Martinez, HR Manager – Sheriff's Personnel Division

Finding II: Insufficient Controls Over Outside Employment

OAAS identified instances where SDSO employees engaged in compensated instructional work for the Government Training Agency (GTA) on days they were also compensated for County work hours. OAAS also noted incomplete disclosure of outside employment and insufficient PER-20 approvals.

OAAS Recommendation:

1. evise policies to ensure outside services occur only during an employee's personal time.

2. Maintain a supervisor-accessible log to monitor employees engaged in outside services prior to approving timecards.

3. Review and recover overpayments associated with overlapping County work hours and GTA services.

Action Plan:

In response to Recommendation #1, the Sheriff's Office agrees with the recommendation and is revising applicable policies to reinforce that all outside employment and compensated external instructional services must occur outside of County paid working hours - ensuring these activities are conducted only on personal time. In addition, we will provide LMS training to both employees and supervisors on separating County work hours from outside instructional services, including mandatory reporting and

SAN DIEGO COUNTY SHERIFF'S OFFICE

Kelly A. Martinez, Sheriff

Rich Williams, Undersheriff

approval requirements.

In response to Recommendation #2, the Sheriff's Office agrees and will establish a supervisor-accessible tracking log, utilizing UKG, to identify employees approved for outside services. Supervisors will be required to review this information prior to approving timecards.

In response to Recommendation #3, the Sheriff's Office agrees with the recommendation and is working with Centralized Payroll on a solution. Payroll adjustments will be submitted for identified employees, to recover overpayments made for instructional services. One of the identified employees has since retired; we will notify this individual and work with Centralized Payroll to recover the funds. The Sheriff's Office will continue working with Auditor & Controller to conduct periodic internal audits comparing County timekeeping records with known outside employment activities to identify and correct discrepancies in a timely manner.

These corrective measures are designed to prevent future overlapping payment issues, ensure disclosures are complete and timely, and protect County resources within the limits of the Auditor & Controller's rules.

Planned Completion Date: September 1, 2026

Contact Information for Implementation:
Melissa Martinez, Human Resources Manager

Conclusion:

The Sheriff's Office appreciates the work performed by OAAS and concurs with the findings outlined in the report. We also want to recognize the auditor supporting this review for providing professional, thorough assistance throughout the process. SDSO is committed to strengthening internal controls, enhancing monitoring of IA disclosures, and ensuring compliance with policies governing outside employment.

If you have any questions, please contact me at (619) 573-7612.

Sincerely,

KELLY A. MARTINEZ, SHERIFF

Melissa Martinez
Human Resources Manager

KAM:MM

DEPARTMENT'S RESPONSE
(DEPARTMENT OF GENERAL SERVICES)

GENERAL SERVICES
5560 OVERLAND AVENUE, SUITE 410, SAN DIEGO, CALIFORNIA 92123
(858) 694-2338

MARKO MEDVED, PE, CEM
DIRECTOR

RICH GRUDMAN
ASSISTANT DIRECTOR

June 25, 2026

TO: Juan R. Perez, Chief of Audits
Auditor and Controller

FROM: Marko Medved, Director
General Services

Rich Grudman
Digitally signed by Rich Grudman
Date: 2026.06.25 16:11:42 -07'00'

DEPARTMENT RESPONSE TO INCOMPATIBLE ACTIVITIES (IA) AUDIT A25-017 (REVISED)

Finding I:
OAAS identified compliance weaknesses, including instances of undisclosed outside activities and inconsistencies between AUD263 disclosures and Form 700 filings.

A) Discrepancies Between AUD263 and Form 700:
OAAS judgmentally selected five employees from DGS out of a sample of 30 total Countywide to assess whether potential incompatible activities were fully and accurately disclosed. This assessment involved a comparative analysis of the disclosures reported on Form 263 and Form 700. The objective was to identify any inconsistencies or omissions between the two forms that could indicate incomplete or inaccurate reporting. The following issues were identified:

- One of the five employees with outside activities disclosed them on AUD263 but not on Form 700.
- Two of the five employees with outside employment activities disclosed them on Form 700 but not on AUD263.

B) Undisclosed Outside Activities:
OAAS judgmentally selected 11 DGS employees from a Countywide sample of 30 to assess whether outside activities identified on social media were properly disclosed on the AUD263 Form. Two of the 11 employees had outside activities subject to disclosure visible on social media that were not reported on their AUD263.

OAAS Recommendation:
To address all identified issues and establish proper monitoring and controls moving forward DGS should take the following actions:

1. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of the AUD263 and

the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

2. Provide a resource by designating a point of contact, such as an individual within DGS or DHR, to address employee questions regarding the policy or specific activities.

3. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, DGS should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Response:

1. GS will develop and assign mandatory training to all employees to enhance their understanding of IA relevant to GS.
   Planned Completion Date: July 31, 2026
2. GS's Senior Departmental HR Officer (DHRO) serves as the point of contact for employee to seek clarification on the policy and IAs.
3. GS agrees to follow a Countywide process, should one become available.

Contact Information for Implementation: Leanne Hughes Lewis, Senior Departmental HR Officer

Finding II:
OAAS reviewed the DGS Incompatible Activity Rules (IARs) submitted to the Clerk of the Board (COB) and found the most recent version dated 11/10/98. DGS indicated an updated version exists but has not been submitted to the Committee on Incompatible Activities for review and Board of Supervisors (BOS) approval.

RECOMMENDATION:
Following the update of the CAO Rules Regarding Incompatible Activities Policy #0010-03, DGS should take the following actions:

1. Review and update their IARs to incorporate the changes outlined in Policy #0010-03.

2. Submit the revised IARs to the COB, who will forward them to the BOS for approval.

Response: GS agrees with and will follow the recommendation.

Planned Completion Date: July 31, 2026

Contact Information for Implementation: Leanne Hughes Lewis, Senior Departmental HR Officer

DEPARTMENT'S RESPONSE
(CLERK OF THE BOARD OF SUPERVISORS)

ANDREW POTTER, CCB
EXECUTIVE OFFICER/CLERK

CLERK OF THE BOARD OF SUPERVISORS
1600 PACIFIC HIGHWAY, ROOM 402, SAN DIEGO, CALIFORNIA 92101-2422
(619) 531-5600

RYAN SHARP
ASSISTANT CLERK

ANN MOORE
ASSISTANT CLERK

June 10, 2026

TO: Juan R. Perez, Chief of Audits
Auditor & Controller

FROM: Andrew Potter, Executive Officer/Clerk of the Board of Supervisors
Clerk of the Board of Supervisors

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: INCOMPATIBLE ACTIVITIES

Finding I: Outdated IA Policy

OAAS Recommendation:

1. Continue the process to revise Item No. 0010-03 in accordance with the procedure outlined in CAO Administrative Manual Item No. 0010-01. Specifically, the revision process should:
   a. Update the policy to assist appointing authorities in effectively managing incompatible activities related to their core responsibilities, provide clear guidance to employees, and ensure consistent enforcement of sanctions for violations.
   b. Address current and evolving work arrangements, organizational changes, technological advancements, and public expectations.
   c. For better alignment with the current organizational structure, revise the Incompatible Activities Committee membership to include OECLS. This change is consistent with OECLS's role as the County's centralized resource for ethical guidance, conflict-of-interest concerns, and organizational integrity. As a staff office of the CAO, OECLS would be able to serve on the committee as the CAO's designee.
   d. Incorporate a periodic review provision to ensure the policy remains current.
   e. Include consultation with the departments identified on Page 3 of Item No. 0010-03.
2. Develop and document a clear, comprehensive [Incompatible Activities Rules] IAR approval process that aligns the policy with the intent of the Resolution. This should include defined steps, required documentation, roles and responsibilities, and timelines for submitting, revising, and approving IARs. Once developed, the process should be communicated to all departments to ensure consistent understanding and application.
3. Once the updated policy has been approved by the CAO and published on the County Intranet, the responsible departments and affected appointing authorities should conduct training for employees, user groups, or units impacted by the policy changes.
4. To strengthen the County's ability to identify, assess, and mitigate potential conflicts of interest, we recommend revising the AUD263 Form specified in CAO Rules Regarding Incompatible Activities Item #0010-003 and related policies to require disclosure of all

outside activities that may be incompatible with County employment, regardless of whether they are paid or unpaid.

5. Assess the feasibility of establishing a centralized process to monitor all required disclosure statements across departments. The updated process should be formally documented in County policy to ensure consistent application, strengthen oversight, and support proper record storage and retention in compliance with County requirements.
6. As the CAO Rules Regarding Incompatible Activities Item # 0010-003 are closely aligned with BOS Resolution No. 01-207, COCO should identify the steps necessary to amend the BOS Resolution to ensure consistency with the updated CAO policy. Once the necessary steps are identified, the amendment process should be initiated.

Action Plan: The Clerk of the Board will fully support the implementation of all audit recommendations and will work closely with the Office of Ethics, Compliance, and Labor Standards (OECLS), County Counsel, and the Auditor & Controller throughout the process.

Our department will participate in revising CAO Administrative Policy Manual Item No. 0010-03, including contributing to policy updates, ensuring alignment with current organizational needs, and incorporating a periodic review structure. We will engage with departments identified in the policy and assist in the development of a clear, documented approval process for Incompatible Activities Rules (IARs), including communication and guidance for all impacted departments.

Once the updated policy is approved and published, we will collaborate with OECLS and other responsible departments to support the rollout of employee and user-group training. We will also assist in revising the AUD263 Form to strengthen disclosure requirements and help evaluate options for a centralized process to monitor required statements.

Finally, we will participate in efforts led by County Counsel and OECLS to identify and initiate any necessary amendments to Board of Supervisors Resolution No. 01-207 to ensure full consistency with updated policy requirements.

Planned Completion Date: The Clerk of the Board will assist with the completion of the above recommendations by December 31, 2026.

Contact Information for Implementation: Ann Moore, Assistant Clerk of the Board of Supervisors, (619) 531-5433 and via email at ann.moore@sdcounty.ca.gov.

If you have any questions, please contact me at (619) 531-5431.

ANDREW POTTER
Clerk of the Board of Supervisors

DEPARTMENT'S RESPONSE
(OFFICE OF THE DISTRICT ATTORNEY)

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OFFICE OF THE SAN DIEGO COUNTY
DISTRICT ATTORNEY

SUMMER STEPHAN
District Attorney

RACHEL SOLOV
ASSISTANT DISTRICT ATTORNEY

Date: June 18, 2026

To: Juan R. Perez, Chief of Audits

From: Summer Stephan, District Attorney

Re: DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: INCOMPATIBLE ACTIVITIES

Finding I: Oversight Over IA Disclosures

OAAS Recommendation:

To address all identified issues and establish proper monitoring and controls moving forward, the DAO should take the following actions:

1. Assign an individual responsible for overseeing the distribution, collection, review, approval, retention, and follow-up of the AUD263 and Request for Approval of Outside Employment, Activity, or Enterprise forms to ensure compliance with the requirements of the Admin Manual #0010-03, and DAO Office Policy on Incompatible Activities, revised August 26, 2021. This process should be formally documented in the DAO internal procedures.

2. Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

3. Provide a resource by designating a point of contact, such as an individual within the DAO or DHR, to address employee questions regarding the policy or specific activities.

4. Develop a formal procedure to systematically track all disclosures. This process should be documented within the DAO internal procedures to ensure consistent application and oversight.

5. If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, the DAO should follow that process. A centralized process will help ensure that all required AUD263 Forms are

completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Action Plan: The DAO accepts the audit recommendations. The DAO will update its current policy and protocols on Incompatible Activities, and will incorporate the recommendations above. In addition, a mandatory training program pertaining to IA and AUD263 Forms for all employees will be developed and implemented.

Planned Completion Date: December 31, 2026.

Contact Information for Implementation: Jerrilyn Malana, Chief Deputy District Attorney, Human Resources and Special Counsel.

Finding II: Outdated IARs

OAAS Recommendation:

Following the update of the CAO Rules Regarding Incompatible Activities Policy #0010-03, the DAO should take the following actions:

1. Review and update their IARs to incorporate the changes outlined in Policy #0010-03.

2. Submit the revised IARs to the COB, who will forward them to the BOS for approval.

Action Plan: The DAO accepts the audit recommendations. The DAO will update its IAR and will submit it to the COB for BOS for approval.

Planned Completion Date: December 31, 2026.

Contact Information for Implementation: Jerrilyn Malana, Chief Deputy District Attorney, Human Resources and Special Counsel.

Finding III: Opportunity to Strengthen PTO Timekeeping Practices

OAAS Recommendation:

We recommend that the DAO consult with County Payroll to align its timekeeping and leave tracking practices. Specifically, we recommend that the DAO:

1. Record all leave, including PTO, directly in UKG so that the County's official system of record reflects each employee's complete time and leave activity;

2. Communicate the updated process to attorneys, supervisors, and timekeeping staff, and provide brief refresher guidance to support consistent application going forward.

Action Plan: The DAO accepts the audit recommendations. The DAO will consult with the County's Central Payroll Administration regarding the feasibility of tracking PTO in UKG. The DAO will also communicate any changes in tracking PTO and provide refresher guidance as recommended.

Planned Completion Date: December 31, 2026.

Contact Information for Implementation: Jerrilyn Malana, Chief Deputy District Attorney, Human Resources and Special Counsel.

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If you have any questions, please contact me at (619) 531-3544.

Summer Stephan
District Attorney

DEPARTMENT'S RESPONSE
(HEALTH AND HUMAN SERVICES AGENCY)

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CHRISTY CARLSON, MBA, CCEP
DIRECTOR

June 18, 2026

TO: Juan R. Perez
Chief of Audits

FROM: Christy Carlson, Director
Business Assurance and Compliance

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: **INCOMPATIBLE ACTIVITY AUDIT RESPONSE**

Finding I: OVERSIGHT OVER IA DISCLOSURES

OAAS Recommendation #1: Assign an individual responsible for overseeing the distribution, collection, retention, and follow-up of the AUD263 to ensure compliance with the requirements of the Admin Manual #0010-03. This process should be documented in HHSA HR internal procedures.

Action Plan: As identified in Table 8: PHS Disclosure Statement (AUD253) Summary Report and Finding #1 narrative, the process for distribution, collection, retention and follow-up of the AUD263 was not formalized prior to October 2024. In October 2024, HHSA Human Resources (HR) was designated as the department coordinator for the AUD263 process. This process was formally documented in October 2024 within the HR internal procedures with each departmental DHRO having responsibility for their respective departments.

1 **Planned Completion Date**: Completed, October 2024

Contact Information for Implementation: Christy Carlson, Director, Business Assurance and Compliance

OAAS Recommendation #2: Provide mandatory training to employees to enhance their understanding of IA relevant to their department. This training should include, but is not limited to, the proper completion of the AUD263 and the disclosure of any external activities. Additionally, ensure that employees are informed of any updates during policy reviews.

Action Plan: HHSA Business Assurance & Compliance (BAC) has included training specific to conflicts of interest in annual Code of Conduct training for at least the last two fiscal years. BAC will continue to include conflict of interest and potential incompatible activity subject awareness in the LMS training that is required of HHSA staff annually as part of the regular Code of Ethics and Code of Conduct training series. This mandatory training series is assigned to HHSA staff every July.

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1 **Planned Completion Date**: Completed, July 2024

Contact Information for Implementation: Christy Carlson, Director, Business Assurance and Compliance

OAAS Recommendation #3: Provide a resource by designating a point of contact, such as an individual within PHS or DHR, to address employee questions regarding the policy or specific activities.

Action Plan: As early as August, 2015, HHSA Code of Conduct and Statement of Incompatible Activities Policy, HHSA-M-1.2, designated the HHSA Compliance Officer as the point of contact to address employee questions regarding potential conflicts of interest. In November 2025, BAC separated the Conflict of Interest Policy, HHSA-M-3.4, out of the Code of Conduct to provide additional clarity. HHSA-M-3.4 continues to designate the Business Assurance and Compliance department as the point of contact for any questions related to potential incompatible activities.

1 **Planned Completion Date**: Completed, August 2015

Contact Information for Implementation: Christy Carlson, Director, Business Assurance and Compliance

OAAS Recommendation #4: If a Countywide process becomes available to centralize and streamline the completion, tracking, and retention of AUD263 Forms, PHS should follow that process. A centralized process will help ensure that all required AUD263 Forms are completed for every employee and that the forms are properly stored and retained in accordance with County record retention requirements.

Action Plan: BAC agrees that if a Countywide process is established to centralize and streamline the completion, tracking, and retention of AUD263 forms, HHSA will adopt the updated process.

Planned Completion Date: N/A

Contact Information for Implementation: Christy Carlson, Director, Business Assurance and Compliance

Finding II: IARs – NON-COMPLIANCE WITH APPROVAL PROCESS

2 **OAAS Recommendation #1**: Following the update of the CAO Rules Regarding Incompatible Activities Policy 0010-03, PHS should take the following actions: Review and update their Incompatible Activities Rules to incorporate the changes outlined in Policy 0010-03.

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Action Plan: HHSA updated the HHSA Conflict of Interest Policy, HHSA-M-3.4 in November of 2025 to ensure alignment to CAO Policy 0010-03.

2 **Planned Completion Date**: Completed, November 2025

Contact Information for Implementation: Christy Carlson, Director, Business Assurance and Compliance

OAAS Recommendation #2: Following the update of the CAO Rules Regarding Incompatible Activities Policy 0010-03, PHS should take the following actions: Submit the revised Incompatible Activities Rules to the COB, who will forward them to the BOS for approval.

Action Plan: HHSA will submit the updated Conflict of Interest Policy, HHSA-M-3.4 to the COB, along with an updated listing of position classifications that are subject to Form 700 filing, by June 30, 2026.

Planned Completion Date: June 30, 2026

Contact Information for Implementation: Christy Carlson, Director, Business Assurance and Compliance

If you have any questions, please contact me at 619-338-2807.

Christy Carlson
Director, Business Assurance and Compliance

OFFICE OF AUDITS & ADVISORY SERVICES' REPLY TO THE DEPARTMENT'S RESPONSE

1. Finding I: Oversight Over IA Disclosures

The Public Health Services (PHS) department's response to Finding I, Recommendations #1, #2 and #3, indicates that the action plan for the recommendations had been completed. However, the department did not provide any supporting documentation to demonstrate completion of the plan during the draft report review process. As standard practice, OAAS asks auditees to review the draft report, and provide supporting records for changes needed to ensure the reports' accuracy, for example, if corrective actions have been taken. When auditees provide such records, OAAS validates information received and based on the completion date of corrective actions taken either: 1) revises the audit finding and recommendation if appropriate, or 2) revises the body of the report to acknowledge corrective actions taken while the audit work is in progress. OAAS will verify completion of the action plan for Finding I, Recommendations #1, #2 and #3 as part of the OAAS regularly scheduled quarterly follow-up process.

2. Finding II: IARs – Non-Compliance With Approval Process

Recommendation #1: Following the update of CAO Policy 0010-03, review and update the Incompatible Activities Rules to incorporate the changes outlined in that policy.

Department Response: States the Health and Human Services Agency (HHSA) updated the Conflict of Interest Policy (HHSA-M-3.4) in November 2025 to align with Policy 0010-03; marked completed, November 2025.

OAAS Response: Because the revised Conflict of Interest Policy (HHSA-M-3.4) addresses the disclosure of incompatible activities, it is subject to the same Board of Supervisors approval process as the Incompatible Activities Rules. Since the Board has not yet approved the revised policy, OAAS does not consider this recommendation complete.